

News Release

Immediate release

Ottawa, May 17, 2001
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JOINT STATEMENT OF THE GOVERNMENT OF CANADA AND THE BANK OF CANADA ON THE RENEWAL OF THE INFLATION-CONTROL TARGET

The objective of Canada's monetary policy is to support and advance national economic well-being by contributing to sustained economic growth, rising levels of employment and improved living standards. The best contribution monetary policy can make to securing this outcome is to preserve confidence in the value of money by providing individuals and businesses with the certainty of a stable, low-inflation environment for their economic decisions.

Over the past decade, low inflation and inflation-control targets have been a foundation for Canada's strong economic performance. The commitment by the Government of Canada and the Bank of Canada to the targets has helped anchor public expectations for low, stable inflation and has reduced fluctuations in economic activity. Providing a stable, low-inflation environment has enabled households and businesses to make long-term savings and investment plans more confidently, increased the incentives for businesses to control costs and improve productivity, and reduced the need for households and businesses to divert resources to protect themselves against inflation. Low inflation, together with substantial fiscal progress by all levels of government, has helped produce stronger economic growth, lower interest rates and increasing employment.

Based on Canada's experience with inflation targeting over the past 10 years, and in light of the demonstrated benefits, the Government and the Bank agree to renew the inflation-control target.

Under the renewed agreement:

- The inflation-control target range will continue to be 1 to 3 per cent;
- Within this range monetary policy will continue to aim at keeping the trend of inflation at the 2 per cent target midpoint;
- The length of the agreement will be 5 years, until 31 December 2006. Before the end of 2006, the Government and the Bank will review the experience over the period and determine the appropriate target for the period ahead.



The commitment by the Government and the Bank to this inflation-control target will ensure that Canadians continue to derive the economic and social benefits from low, stable and predictable inflation and will underpin confidence in Canada's economic prospects in the coming years.

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Information Note

The Bank of Canada will release a background document that reviews and explains the implementation of the inflation-control target on Friday, May 18 at 10:00 a.m.

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